

FISCAL NOTE

HB 2958 - SB 3208

February 14, 2008

SUMMARY OF BILL: Exempts the sale of computer printers with a sales price of \$250 or less from state and local sales tax when sold during the annual August sales tax holiday.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$364,900

Increase State Expenditures - \$117,300

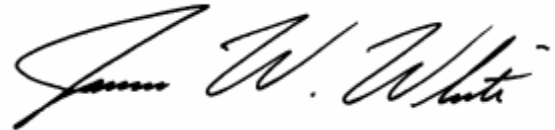
Assumptions:

- According to U.S. Census data, there are approximately 2,370,000 households in Tennessee.
- According to Census Bureau data, the percent of Tennesseans below the poverty level in Tennessee in 2006 was 16.2%.
- Households below poverty level do not own computers; therefore they have no need for computer printers.
- The number of households with the ability to purchase computers, and thus computer printers, in a given year is estimated to be 1,986,000 ($2,370,000 \times [1.00 - 0.162] = 1,986,060$).
- 70% (1,390,200) of such households actually own computers.
- 20% of those owning computers (278,040) would purchase a computer printer over the course of a year (an equivalent turnover rate of one printer every five years).
- One-twelfth or 8.3% (23,077) are estimated to buy a computer printer during the month of August under current law.
- One-eighth or 12.5% (34,755) are estimated to buy a computer printer during the August sales tax holiday when such printers would be considered tax-exempt.
- The average price of computer printers purchased during the sales tax holiday is estimated to be \$150 each.
- Taxable sales are estimated to be \$5,213,300 (34,755 printers \times \$150 = \$5,213,250) per year.
- The current state sales tax rate is 7.0%.

- The decrease to state revenue is estimated to be \$364,900 ($\$5,213,300 \times 7.0\% = \$364,931$) per year.
- The local option sales tax rate is estimated to average 2.25%.
- The decrease to local government revenue assuming the state did not hold local governments harmless from the loss of local option sales tax revenue is estimated to be \$117,300 ($\$5,213,300 \times 2.25\% = \$117,299$) per year.
- The state holds local governments harmless from the loss of local option sales tax revenue occurring as a result of the annual sales tax holiday.
- The increase to state expenditures is estimated to be \$117,300 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc